

May 6, 2011

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: WC Docket No. 11-42 Lifeline and Link Up Reform and Modernization  
CC Docket No. 96-45 Federal-State Joint Board on Universal Service  
WC Docket No. 03-109 Lifeline and Link Up  
WT Docket No. 11-65 Applications of AT&T Inc. and Deutsche Telekom AG  
**NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On May 6, 2011, F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., Javier Rosado, Senior Vice President - Lifelines Service, TracFone Wireless, Inc., and I met with Commissioner Copps and Margaret McCarthy, Legal Advisor to Commissioner Copps. During the meeting, we discussed the Commission's pending Lifeline reform and modernization proceeding and specific proposed changes to the Lifeline program. The views presented during this meeting were consistent with TracFone's written comments. A written presentation was provided to Ms. McCarthy. A copy of that presentation is attached to this letter. In addition, we generally discussed the potential impact on TracFone of the proposed transfer of control of T-Mobile USA, Inc. to AT&T Inc.

Pursuant to Section 1.1206(b) of the Commission's Rules, this letter is being filed electronically. If there are questions regarding this letter, please communicate directly with undersigned counsel for TracFone.

Sincerely,



Debra McGuire Mercer

Attachment

cc: Hon. Michael J. Copps  
Ms. Margaret McCarthy

# Attachment

# TracFone Wireless, Inc.

- 1<sup>st</sup> Wireless reseller to receive forbearance from FCC.
- 1<sup>st</sup> Wireless Reseller to be designated as an ETC.
- 1<sup>st</sup> Lifeline-only ETC.
- 1<sup>st</sup> ETC to offer Lifeline benefits as a free service rather than a billed service discount.
- Designated as an ETC in 37 states, and currently providing Lifeline service in most of those states.

# SafeLink Wireless®

- 3 service plan options:
  - 250 minutes per month — no carry over (most popular plan)
  - 125 minutes per month — unused minutes carry over
  - 68 minutes per month — unused minutes carry over and includes international calling
- All plans include vertical features — caller ID; call waiting; voice mail.
- All plans include nationwide calling and roaming.
- All plans include free E911-compliant handsets (funded by TracFone; not by the USF).

- More than 3 million current Lifeline customers.
- SafeLink Wireless<sup>®</sup> is funded entirely by the federal USF and by TracFone. TracFone has never accepted support from any state fund.

# Goals

- Increase Lifeline enrollment by qualified low-income households above the current 33%. (Excluding Texas and California, Lifeline participation rate is even lower — probably in mid-20%.)
- Implement interim rules which cause funds to be used efficiently without imposing additional burdens on the enrollment process while the FCC, state governments, and ETCs develop a data base system which will enable all ETCs to determine who is qualified for Lifeline and who receives Lifeline benefits from other ETCs.

- Supports efforts to identify and prevent waste, fraud, and abuse of USF resources.
- TracFone was part of industry-FCC group which developed an interim plan to identify and de-enroll customers receiving Lifeline benefits from multiple ETCs (submitted to FCC on April 22, 2011).
- Pioneered a 60 day non-usage policy now implemented in all states where it provides Lifeline service as an ETC.
- TracFone has de-enrolled about 1 million customers for non-usage.

- Other antifraud/waste measures:
  - No minors
  - Identity check through Lexis Nexis
  - Address based validation
  - Yearly whole base verification
  - Homeless shelters enhanced approval process
- 2010 Audit Results: Of the 1.1 million customers audited, which represent \$11.4 million on FORM 497, USAC indentified 303 errors for recovery of \$3,013. This represents 0.026%.
- 2010/2011 Payment Quality Assurances (PQA) Results: After 20 PQAs and 4.8 million customers audited, which represent \$46 million on FORM 497, USAC identified 231 errors for recovery of \$2,274. This represents 0.005%.



# Certification of Eligibility

- Self-certification under penalty of perjury works.
- Full certification prevents many qualified low-income households from enrolling in Lifeline.
  - Documentation of program-based eligibility not readily available to many low-income households.
  - Even where documents are available, low-income consumers lack access to fax machines, copiers, and scanners needed to transmit documentation to ETCs.
- With a national Lifeline participation rate around 33%, FCC should be facilitating enrollment, not erecting new barriers to enrollment.

# Verification of Continuing Eligibility

- Proposed Solution: Require all ETCs to obtain annually from all Lifeline customers self-certification that the customers 1) remain head of household; and 2) only receive Lifeline-supported service from that ETC.
- Customers who do not make those certifications and/or do not respond to requests must be de-enrolled.
- Note: this is the same requirement that the FCC imposed on TracFone as a forbearance condition. 997,000 customers have been de-enrolled through that process.
- IT WORKS!

# Mandatory charges for Lifeline service should not be required

- No showing of any correlation between no-charge (free) services and duplicate enrollment.
- The unsupported theory that free service leads to “infinite” demand is contradicted by the fact that, despite availability of free service Lifeline plans, Lifeline participation rate remains around 33%.
- Any enrollment in free services by non-users will be solved by a 60 day non-usage policy.
- Most importantly, free service is what makes services like SafeLink Wireless® attractive to low-income consumers.
- 64.3% of SafeLink Wireless® customers surveyed have indicated that they would de-enroll if they had to pay any fee.
- More than 60% of Lifeline customers do not have checking accounts or credit cards; would have to pay up to \$12.95 for money orders to send payments for as little as \$1.
- Mandatory minimum charge would require companies like TracFone (which offers no billed services) to spend large amounts to develop billing systems only to send \$1 monthly bills to Lifeline customers.
- All ETCs receive the same amount of Lifeline support -- about \$10 per customer per month. In a competitive market, ETCs should determine how to provide that support as a Lifeline benefit.
- Customers who enroll but do not use the service would quickly be de-enrolled under the proposed 60 day non-usage policy. To date, TracFone has de-enrolled more than 1.1 million customers since SafeLink Wireless's® inception.

# There are ways to immediately reduce burden on Low Income portion of USF

- Limit Link-Up support to customary service commencement or connection charges which are actually imposed on all customers and not allow ETCs to collect Link Up support for “bogus” charges.
- Limit Link Up support for charges which recover actual costs of commencing service to customers. [note: TracFone has about 17 million customers, of which more than 3 million are Lifeline customers and none are subject to service commencement charges]
- Eliminate Lifeline support for toll limitation — a largely irrelevant service as “all distance” service plans have become increasingly common.
- Resist pleas for “free money” from the USF to subsidize private pay phone operators.

# TracFone supports a one-per-residential address rule.

- TracFone has always used customer residential addresses to determine Lifeline eligibility - once an address is associated with a Lifeline customer, it cannot be used by other Lifeline customers.
- There are unusual circumstances where separate households may have the same residential address:
  - Families occupying separate floors of a residence (with or without separate entrances).
  - Multi-unit buildings without separate apartment numbers.
  - Multi-family residential structures in tribal communities without separate addresses.
  - Homeless shelters and other group living facilities.
- There should be an escalation process which enables the ETC to obtain information from applicants regarding special circumstances and to submit that information to USAC for approval.